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COSCAA
Financial Management Assistance
Project
Montana Department of Community Affairs
Case Study

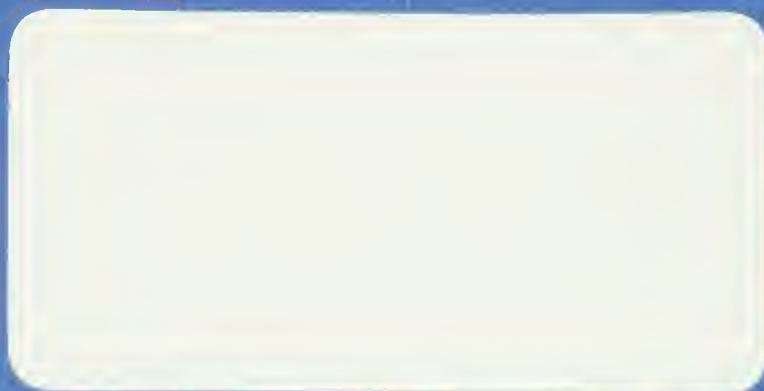
by Tom Farrell
Glenn Haugo, and
Jim Rizza

Glenn Haugo

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STATE OF MONTANA

JUL 10 2004

MONTANA
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COSCAA

Council of State Community Affairs Agencies

Hall of the States • 444 North Capitol Street • Washington, D.C. 20001 • (202) 624-5850

JOSEPH S. MARINICH
Executive Director

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May 5, 1978

MEMORANDUM

TO: Financial Management Project Participants

FROM: Barbara Cohn and Marc Kahn *fec M.A.K.*

We've enclosed a copy of a memorandum prepared for HUD which highlights the major issues covered in our April 18 workshop. If you would like to make any additions or corrections to the memo, please let us know.

In the next week, we will be contacting you regarding participation in the national workshop to be held June 8 and 9 in Washington, DC.

Please let us know if you have any questions or problems in the preparation of your case studies. We look forward to receiving them by May 12.

Enclosure

ALBERT L. HYDEMAN, JR.
Pennsylvania
President

JAMES J. SOLEM
Minnesota
Vice-President

BRENT W. BROWN
Arizona
Secretary

PATRICIA Q. SHEEHAN
New Jersey
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JOSEPH S. MARINICH
Executive Director

April 24, 1978

MEMORANDUM

TO: Joe Panaro, HUD

FROM: Barbara Cohn, Marc Kahn

SUBJECT: Results Memorandum of COSCAA's First Financial Management Capacity Building Workshop, April 18, 1978

Attending the workshop were 13 officials representing 10 State Departments of Community Affairs (DCAs). (See enclosed Participant List). The basic objectives of the workshop were to acquaint the participants with: 1) HUD's perceptions of and intentions for the project; 2) COSCAA's role in the project; 3) the time frame for project completion; 4) guidelines for case study preparation; 5) the roles of the State in financial management assistance, including institutional, legal, and other barriers encountered in service delivery; and 6) HUD's Problem Statement Format, specifically means to reconcile it with COSCAA's case study preparation guidelines.

The above formed the bases for discussion during the course of the workshop. It is COSCAA's impression that the workshop accomplished the stated objectives. In addition, the workshop served as a forum for formal and informal exchanges of information among the participants.

With the aid of the HUD participants, the workshop attendees were able to reconcile the Problem Statement Format with COSCAA Case Study preparation guidelines. It was agreed that COSCAA would provide the information in the acceptable Problem Statement Format to HUD and NTDS. In order to do this, the State participants agreed to provide COSCAA with the information necessary to prepare proper Problem Statements.

The most substantive exchange occurred during the discussion of the progress of each individual case study. From the individual discussions, COSCAA was able to list a number of issues which seemed to be overriding themes in the area of State participation in local government financial management capacity building. The DCA participants also described approaches and programs being employed by the States as well as their legislative authority in the area.

Of the problem areas cited by the DCAs, the following list were those mentioned most often: (The order of the list does not reflect any particular priority).

- lack of local expertise due mainly to part-time nonprofessional administration
- low level of local motivation resulting from lower salaries.

Memo to Joe Panaro, HUD
April 24, 1978
Page Two

- lack of State enforcement power over local budgets and budgetary systems
- lack of State oversight control of local budgets
- overwhelming number of local governments, special districts and school districts with individual budgetary systems
- high costs of implementing a uniform accounting system
- lack of DCA funds - legislature turns down budget requests for technical assistance
- inability of academic community to relate to "real" local government concerns
- outdated local accounting and budgetary systems
- local skepticism of state role and intentions
- small DCA staff

In general, most of the problems listed were institutional and legal in nature. The most frequently cited were the lack of enforcement powers by the State over local budgets and budgetary systems. This problem can be broken down into two elements: lack of effective enforcement mechanisms, and/or absence of statutory regulations. The other issue which ranked high was the lack of financial management expertise at the local area. It should be noted that the participating DCAs do have viable service delivery mechanisms which can aid in the resolution of some of the institutional barriers. However, efforts to address these problems are hampered by a lack of funding and staffing. Other problems need to be addressed by stronger state enforcement powers.

DCA responses to local financial management problems are varied. This variation is due to a number of factors. Most specifically cited were legislatively defined DCA functions, size of staff, amount of funds to be spent on financial management technical assistance, number of local jurisdictions in need of assistance, and geographic size of the State. Most of the DCAs attending the workshop have programs to provide technical assistance and training. The programmatic responses include formal classroom training, seminars, workshops, circuit-riders, handbooks, manuals, and guidelines.

Other agenda items were included in the workshop. It was agreed that Mr. Larry Crumpton, Deputy Director of the Texas Department of Community Affairs would review the project and introduce the results of the first workshop in the Planning and Management Assistance Workshop session at COSCAA's Fourth Annual Conference, May 2, 1978, in Boston.

The second COSCAA workshop session of the same participants will be held in Washington DC, on June 7. It is planned that the case studies will be discussed, comments and input into COSCAA's final report will be made, and a strategy for DCA input in HUD's National Integrating Workshop will be planned. DCA participants for the National Workshop will be chosen in the next two to three weeks.

CASE STUDY

1. BACKGROUND

Montana is a rural state with a population of approximately 750,000 spread over 147,138 square miles. The basic units of local government are cities, towns, and counties. A town generally has a population of 1,000 or less and cities, over 1,000. There are 76 incorporated towns, 48 incorporated cities, 54 counties, and two unified governments. The median city or town population is approximately 1,000 and the average 4,250. The median county population is 7,000 and the average 13,400. Only three cities have populations over 50,000 and only three counties have populations in excess of 70,000.

In addition to the cities, towns, and counties, there are approximately 640 school districts for which the counties serve as fiduciary agent. There are also numerous special districts such as fire, irrigation, conservation, refuse, and improvement districts.

The State of Montana Department of Community Affairs (DCA) has a central purpose of providing financial and technical assistance to local governments in the areas of human resource development, planning, transportation, fiscal management, and information gathering. The annual Department of Community Affairs budget for these functions is approximately \$11 million. Of this amount, approximately \$200,000, or 2% of this budget, is devoted strictly to financial management assistance programs for local government.

This financial assistance to local government is provided principally through the Accounting and Management Systems Bureau, Division of Local Government Services. This Bureau was established in 1972 for the designed purpose of designing, implementing and maintaining uniform budgetary, accounting and reporting systems for Montana cities, towns, counties, school districts,

and single purpose districts. As an off-shoot of this function, the Accounting Systems Bureau provides technical assistance and on-going training in the finance area to local government personnel. This Bureau is comprised of ten (10) people: eight accountants, one EDP Systems Coordinator, and one secretary.

II. LOCAL NEEDS

The most important need, in the financial management area, for cities and counties in the state of Montana is that of developing and upgrading the financial information systems. The accounting systems which have been utilized by local government have remained virtually unchanged since 1932 for cities, and 1917 for counties. While adequate at the time, these systems no longer control and exhibit today's complex governmental operations in accordance with generally accepted accounting principles. At both city and county levels, the demand for services has mushroomed, as have the costs of providing such services. This has resulted in an ever-increasing public and private demand for fiscal information on governmental operations.

The present accounting systems are unable to meet the informational demands of modern government. In many cases the data required internally for informed managerial decisions cannot be obtained economically. External reporting has also become a problem. The present systems generally meet only four of the thirteen generally accepted accounting principles recommended for governmental accounting by the National Council on Governmental Accounting of the Municipal Finance Officers Association. Consequently, local governments have great difficulty in meeting stewardship reporting requirements of state and federal government agencies. The budget process also is hindered by lack of historical cost data that is meaningful.

In May 1974, after much consideration and consultation with the Department of Community Affairs, the Governor's Local Government Advisory Committee (comprised of local government officials) communicated to Governor Thomas L. Judge recommendations for developing a uniform budgetary, accounting and reporting system. Governor Judge requested funding and the 1975 legislature appropriated the necessary resources to develop the recommended system.

For over two years, the Local Government Services Division's Accounting and Management Systems Bureau has devoted its resources to the design and development of the uniform Budgetary, Accounting and Reporting System (BARS) for Montana Cities and Counties.

Because of the monumental task involved in developing an entire accounting system, the job was sized into various categories or "versions", to be released independently at various future dates. Final design of BARS Version I was completed in December 1977 and consisted of the following applications:

- | | |
|---------------------|-----------------------------|
| - Expenditures | - Utility |
| - Revenue | - Equipment Cost Accounting |
| - Payroll | - General Ledger |
| - Treasury Function | - Budgeting |

Version I was designed with the intention of providing basic financial reports to local government managers to assist them in the day to day financial decision making process. This initial version provides the foundation for the entire system. BARS Version II and III are scheduled for development in the 1979-80 time frame and will involve additional applications designed to enhance the capabilities and efficiency of the System. These applications are:

- | <u>VERSION II</u> | <u>VERSION III</u> |
|--|--|
| - Property Tax/
Special Assessments | - Non-Treasurer Collection/
Reporting |
| - Purchasing | - External Accounting Systems |

VERSION II - cont.

- Debt Administration
- Program Budgeting
- Cash Management

VERSION III - cont.

- Property/Inventory Control
- Job Cost Accounting
- Fixed Asset Accounting

During the design of the BARS, generally accepted accounting principles set forth by the Municipal Finance Officer's Association (MFOA) and their National Council on Governmental Accounting, were adhered to as were tenets from the Industry Audit Guide of the American Institute of Certified Public Accountants (AICPA). These sources, however, were tempered with the constraints placed upon the financial systems by Montana Statutes.

One of the primary tools used by the Systems staff to assess the needs of local government managers and finance personnel was the BARS Advisory Council. Members of this council were selected by the Montana League of Cities and Towns, the Montana Association of Counties, the Montana Association of Clerk and Recorders, the Montana County Treasurer's Association and the State Department of Community Affairs. This council met with the Systems staff at significant points in the BARS developmental phase and provided invaluable guidance concerning the accounting and reporting needs of local governments.

Early in the design phase of BARS, the Systems staff decided that in order to have a truly uniform system that would be effectively utilized by units of local government in Montana, it was going to be necessary for the staff to go on-site and perform the systems conversion. This decision was based upon three factors: (1) the experience of other states who had attempted a uniform accounting system (with only limited success), (2) the experience DCA gained from the previous implementation of a uniform accounting system for Montana towns*, and (3) the level of local government accounting skills available to perform such a system change on their own.

* During the period 1972-1974, a uniform accounting system was implemented in 76 Montana towns.

The implementation process used by the Systems staff involves intensive on-site assistance in the conversion of accounting records to the new system. This is reinforced by training sessions with local government personnel. In some implementations, the effort is even greater as an additional conversion must be made from manual processing to automated data processing. These services are provided by DCA on a "no charge" basis. To date, three implementations of BARS have been accomplished in this manner with a relatively high degree of success.

A second significant need of local governments that was touched upon briefly in the previous paragraphs deserves some additional treatment at this point. This need is identified as the lack of financial expertise in most small units of government. This may not be a situation unique to Montana, as we are aware that many other state DCAs have expressed similar perceptions. It is felt, however, that this problem is of a greater magnitude in Montana since 93% of our local governments have populations under 25,000. This problem may appear to be that these small units cannot afford to employ persons with the necessary capacity to effectively manage a financial system, but it is suspected that the reason lies even deeper, and could be attributed to a lack of motivation to acquire the necessary level of skills and knowledge combined with an attitude that what systems they currently use are adequate!

The lack of financial management ability is understandable and can be attributed to the fact that outside of DCA, there are no good academic sources available through which local governments might improve their financial management techniques. Other sources of assistance to local governments are discussed later in this study.

DCA, through its Accounting and Management Systems Bureau, has attempted to bridge this "education gap" by providing a series of two-day regional seminars which offer local governments training in such areas as; governmental accounting, budgeting, investments, financial reporting, in conjunction with

instruction on the new Budgetary, Accounting and Reporting System (BARS). In the past, these seminars have received positive response from local governments. It is our opinion that this method provides us the best method of reaching a large audience and improve financial awareness with the limited training resources available.

The motivation factor will be difficult to change; however, the training aspect is a beginning. In the long run, it may take a financial crisis, a squeeze on property tax revenues, or a change in law to raise financial management consciousness.

Our staff has also expended considerable effort in an attempt to enhance local government awareness of automated data processing as an effective management tool. Our experience has been that the effectiveness of automated data processing usage in local government has been minimal. The initial reasons purchase of ADP equipment are often ill-conceived. Equipment is purchased because money is available or for the prestige of having a "computer". Rarely, if ever, has a feasibility study been conducted to determine appropriate uses for the equipment. Purchases are often made without a contract binding the vendor to his oral agreements. Consequently, most of the equipment purchased is either under utilized or inadequate for the tasks that have arisen after purchase.

The underlying causes of the problems which influence local governments' attitude regarding automated data processing are similar to those evidenced other areas of financial management. They seem to us to be as follows:

- Motivation

As mentioned above, there is an apparent, general lack of motivation in local government; motivation to use data processing technology is no exception.

Problem solving behavior is initiated only in reaction to imposing negative issues. No attempt is made to anticipate these issues. All resources are dedicated to fire-fighting; none to fire prevention. The use of data processing technology as a problem solving resource demands planning and forethought where none currently exist.

- Education

The apparent need is to motivate local government management to "proactive" versus "reactive" behavior. The answer would seem to lie in education - in some form of consciousness raising effort which would bring about an awareness (if not complete understanding) of the planning, organizational and management techniques that could be brought to bear on problems facing local governments.

Efforts toward this end have so far been unrewarding. In direct relation to data processing development, the following resources have been offered:

- Seminars by the Municipal Finance Officers Association Career Development Center, the Federal Government Regional Training Center, Montana State Government, et al. To our knowledge, none have been more than minimally attended by Montana local government management personnel, even though most presentations have been well done, relevant, and informative.
- A central systems library containing application systems documentation from Montana local governments and others, hardware critiques, software package critiques, a "yellow pages" of Montanans with specific systems skills, information on systems consultants, service bureaus, and so on. Of 182 local government units, two expressed interest, one objected to the library, and 179 did not respond at all.

- A systems newsletter, published quarterly, carrying news of hardware procurements, software acquisitions and developments, DP organizational changes, system and hardware critiques, feature articles by Montana DPers and other systems people, editorial comment, and so on. Of 182 local government units, two expressed interest, one objected to the newsletter, and 179 did not respond at all.
- Individual consultations by a State systems professional at local government sites to aid in finding solutions to problems regarding hardware and software procurement, technical systems problems, systems organization, management and planning. Over the past six months, of 182 local government units, seven have sought assistance. In all cases, advice on computer system acquisition was requested. In only two instances to date, has the advice (a product of much research and experience) been well received and ultimately acted upon.
- A computer procurement overview publication specifically tailored to Montana local governments was written. Of the seven Montana local governments which have been involved in computer acquisition deliberations in the past six months (see above), only two could remember having received the guideline; only one had read it.

Perhaps the most serious problem confronting us regarding information management skills among Montana local governments is the "I-don't-need-any-education" syndrome. Obviously, this is directly related to the motivation issue raised above. It is this problem that has presented one of the greatest obstacles in this office's efforts toward consciousness raising. How does one gain participation in skill developing enterprises from those

who perceive no need for skill development? At the risk of being repetitious, the immediate, pressing day to day problems seem to represent the only reality for local government managers.

- Mistrust

Mistrust complicates the issue of how to improve local government management still further. Unsolicited offers of help from Montana State Government are more often than not viewed with suspicion by local government. There exists a long standing tradition of fierce individualism among Montana local governments. Most attempts by higher government to help, regardless of how well intended the gestures, are looked upon as "interfering".

This tendency among local governments to assert their own organizations' uniqueness for the sake of some sense of identity, or even superiority, has had a direct impact on efforts to introduce data processing solutions in some counties and cities. One commonly hears, "We don't do things the same way City A does them". This characterizes an all too common reluctance to accept a system design from another, "different" local government. Instead of focusing on what may be of value in another's system, the picayune differences are stressed. The result - many useful, good ideas get thrown aside simply because of a negative approach by local government personnel dedicated to the details of their "uniqueness".

Given the fundamental nature of the problems discussed here, easy solutions do not appear to be readily at hand. Any attempt to force, through legislation, for example, minimum management and planning skill levels for all local governments of a given size would be intensely resented. The problems inherent in an educational approach have been noted above. It would seem that individual atten-

tion to specific local governments, with specific problems, over a long period of time could result in enough success so that by word of mouth, others may become convinced of the value of certain skills properly applied.

These needs or deficiencies in local government are not assessed through a structured program as efforts at surveys or other formalized information collection methods have proven to be rather unproductive. The most beneficial needs assessment input in the financial area, in our opinion, comes from the Local Government Services Division's Audit and Accounting Systems Bureaus. The staffs of both of these bureaus are in contact with local governments on a daily basis. This contact, which comes through audits and requests for local assistance, enables the staffs to monitor common, recurring problems and to receive a first hand view of some of the causes.

III. IMPACT OF STATE LAWS AND REGULATIONS

The greatest impact on local government financial management by state law probably comes through the tax laws. These laws limit the taxing authority of local governments in designated categories. In 1976, voters in Montana were given an opportunity to change their form of local government and could elect home-rule. Home-rule enables the local government to do anything not specifically denied by state law. The home-rule local government must follow budget, finance, and debt limit laws. Home-rule does allow the local government to exceed tax levy limitations, however. Only 11 towns and 4 cities elected to adopt home-rule.

The City and County Budget Acts require a balanced budget, restrict budget transfers, establish procedures for emergency expenditures, define reporting requirements, and give the Department of Community Affairs responsibility for defining accounting systems.

Other state laws set debt limits, restrict investments, establish bonding requirement, establish responsibilities of elected officials, and restrict revenue sources and purposes of expenditure. Several types of services are required, by state law or administrative regulation, to be provided by local governments in areas like welfare, sewer, landfill, and public health. State laws establish minimum wages for policemen and firemen and dictate pension requirements and contributions. Counties are required to have printing done by a local newspaper or printer and to use local banks for investment of surplus funds rather than shop around for the best interest rate.

All cities, towns, and counties are required to submit a copy of their budget and annual financial report to the Department of Community Affairs. A desk audit is performed on the reports to detect gross omissions, format errors, or legal violations. Copies of the reports are available at DCA for use by state or federal agencies, taxpayers groups, or other interested parties.

The Department of Community Affairs has legal responsibility for yearly audits of local government units. The department is, however, inadequately staffed to conduct the audits on a yearly basis. As of June 1, 1976, the department can contract with private CPAs to do local audits. The local government units are allowed to select their own auditor, subject to approval by the DCA.

A structural problem exists, especially for the counties, which impedes financial cohesiveness. Rather than have a central financial director, the counties have an elected treasurer and an elected clerk and recorder. The clerk provides the financial accounting and writes warrants in payment of claims. The treasurer collects all revenues, including taxes, and redeems the warrants. This dual financial structure under two separate elected officials often creates a polarity caused by lack of informational flow and results in much duplication of effort.

IV. CONCERNS FOR STATE LAWS

All Montana units of local government could be categorized as comparatively small governmental units. In addition, Montana recognizes towns, three classes of cities, and seven classes of counties under the law. Many of the laws directed at local governments have variable requirements based upon these classifications. Apparently, as a result of the aforementioned facts, little concern for changing the laws to meet the size of the local government entity has been detected by the department.

Many laws are very antiquated, however, and cause hardships for local government finance managers. The budget laws, for instance, are very rigid and do not allow any managerial flexibility. The budget laws define categories of expenditures (object of expenditure) and do not allow appropriation transfers between these categories even in the same department and fund. This requirement creates an object orientation, rather than allowing a manager to do a job as he sees the need and placing the focus on the service delivered.

Another law requires vendors to sign all claims; an invoice is not deemed adequate. This practice is very time consuming and causes many cash discounts to be lost.

A state law stipulates that any surplus cash of a city or county will be distributed ratably among the banks in the county according to the paid in capital of the banks (in the case of demand deposits) and taxes paid by the banks (in the case of time deposits). This law is an administrative nightmare for the counties and their auditors. The ratable distribution requirement can be circumvented by putting the surplus funds out for bids by the banks in the county. The bids can be taken only from banks within the county, however, and competition is not usually very keen.

One of the most serious state imposed hindrances to capacity improvement within county financial personnel, comes from a series of laws which restrict salaries. State law sets salaries for county elected officials based upon taxable valuation and population. Deputies' salaries are restricted to 90% of the elected official's salary. In all but the most populous counties, the salaries are so low as to prohibit many college trained people from accepting jobs in the finance areas. The jobs are usually taken by retired people or untrained people desiring a second family income.

The largest single financial drain that the state makes on local governments probably comes through the state's use of local governments, particularly the counties, to administer state programs. Often times, the state will legislate a program and direct that it be handled through the county treasurer's office, without any financial remuneration from the state. This causes hardship on the counties by requiring them to hire additional help. Collection of motor vehicle fees for the state is an example of an administrative burden for the counties. Small amounts are collected for title transfers, boat and camper stickers, snowmobile licenses, and placing a lien on a title, among others. The revenues from these collections go to state agencies, but are collected at county expense.

V. SERVICE DELIVERY

Training workshops in the financial management area began as a result of the implementation of a uniform accounting system into 74 towns. As a result, experiences in this implementation, numerous calls for technical assistance that were received, the poor quality of annual reports and budgets, and an approximate 10% turnover of new town clerks each year, the Accounting Systems Bureau initiated

an effort to upgrade the accounting skills of town clerks. This program has proven to be very effective with those towns that attend the workshops. Results have been measured by a decrease in calls for technical assistance and the improved quality of annual financial reports and budgets.

The problem with this type of program, however, is that it is strictly voluntary. This means that approximately 30% - 40% of the towns do not attend the workshops. It is these towns that prove to be the chronic problem areas, as evidenced through qualified or adverse audit opinions and large amounts of assistance from the Accounting Systems Bureau.

During the development of the Budgetary, Accounting and Reporting System (BARS) for Cities and Counties, the accounting Systems Bureau identified a need for training seminars similar to those used for towns. Training has been required not only in the systems area, but also on subjects such as accounting principles, budgeting, and cash management. Source material for a large portion of the seminars was acquired from the Career Development Center of the Municipal Finance Officers Association (MFOA). The training courses offered by MFOA are excellent, and, although general in nature, they can be adapted to the unique situations of this state. Courses of this nature offer top quality reference material, prepared by experts in the financial field at a nominal cost. In addition, utilization of these canned courses allows the Systems Bureau to make the most effective use of its limited resources.

All of the training seminars sponsored by the Systems Bureau to date, have been oriented towards the operations people involved in the day to day work of the accounting system. Much of the feedback received from those people attending these sessions is that the course material is good, but that similar courses should be done for the local government managers (ie, county commissioners, mayors and city council members). These are elected officials, who in most instances

have no formal training or familiarization with the financial aspects of local government operations. However, these officials are the ultimate decision makers for all significant financial matters. Again, limited time, resources, and the priority of systems development have prohibited the DCA from sponsoring finance training aimed specifically at the governing bodies. Awareness programs oriented to these people are definitely needed, however.

The training needs of local government finance personnel are assessed on a daily basis by the Systems Bureau as implementation of BARS takes place. Training seminars, workshops or classroom instruction, in our opinion, are the most effective methods to reach large audiences with a minimum of resources. Training is one area in which federal assistance might enhance programs developed by the State. This assistance could be provided in one of three fashions; (1) programmed text type of instructional materials on financial management geared to a beginning level audience, (2) dollar resources so that states may develop or expand current training programs, or (3) experts in the field of financial management that states can call upon to supplement state training programs. Both (1) and (3) have inherent weaknesses in that any product that is produced at the federal level may not cover the unique needs or problems that local governments have within a given state.

Currently, the DCA provides a training manual to local governments which contains budgeting and accounting procedures. This publication, developed in conjunction with BARS, provides standardized procedures for the processing of accounting transactions, various budget techniques, equipment cost accounting methods and a detailed chart of accounts based upon national standards. This manual is distributed to each local government unit as they adopt BARS.

VI. OTHER RESOURCES

The DCA has found outside resources to be rather limited in scope. As was previously mentioned, only one of the major universities in the state has attempted to make a concerted effort in the area of governmental accounting. This course work, however, is in conjunction with the normal accounting curriculum and therefore is prohibitive to most full-time city/county clerks and treasurers.

Montana State University Accounting Department has expressed interest in a cooperative effort with DCA in sponsoring the accounting training seminars. This resource can be used to a limited degree. However, the resources provided by any university tend to be so theoretically oriented that many of the "real world" problems of local government are not addressed.

Another possibility in the area of alternative resources is the utilization of local CPA firms to assist in accounting systems implementations. It is recommended, however, that any assistance provided by these firms be strictly on a "public service" basis as the fees charged by most of these firms would be prohibitive to most local governments in the state.

The Montana League of Cities and Towns, Montana Association of Counties and other associations of finance directors, clerks, and treasurers have virtually no resources which DCA could mobilize in the area of financial management.

Local governments in Montana appear to be aware of at least the financial technical assistance role of DCA. This awareness stems primarily from the fact that staff members of the Local Government Services Division's Audit and Accounting Systems Bureaus consistently have daily contact with financial operations people in local governments. Because of this daily contact and the DCA policy of responsiveness to local needs, a degree of trust has been built between Local Government Service Division and the local governments throughout the state.

There seems to be a good communications link between the state and local governments on financial matters.

VII. RECOMMENDATIONS FOR FEDERAL ASSISTANCE PROGRAMS

As we in DCA's are well aware, in this day and age there exists a fine line between what local governments perceive as assistance and what is perceived as interference from state and federal government. This, coupled with the maze of bureaucratic channels with which local governments must already deal, leads us to recommend that any federal assistance be directed through existing channels to maximize effectiveness for local governments.

Recommendations for some specific assistance programs that could be of value to local governments include:

1. Accounting Intern Program

A program whereby accounting students from accredited college level accounting curriculums could, for a quarter during their senior year or a year between their junior and senior year, work as an accounting intern with a local government. The intern would receive college credit for his or her work and would be paid. The Department of Community Affairs could place the individuals with the local governments and give them a week's briefing on the governmental accounting system they would encounter. DCA would also define the conditions of the intern's employment to assure that the student was given tasks that would enhance professional development and would benefit the local government by taking advantage of the student's formal accounting education. The benefits of the program would be twofold. The local government could tap the student's accounting education to solve specific local problems.

The local government would also, hopefully, realize a consciousness raising as to the benefit of employing people with specialized educations and skills. If such a consciousness raising did result, it would not only benefit local governments, but would provide a local job source for accountants who are now forced to leave the state to find employment.

The second benefit of the program would be the promotion of education in governmental accounting. Although governmental accounting is a very vital, growing area of specialization in accounting, and although it is receiving concentrated attention from the American Institute of Certified Public Accountants and other leading national organizations, the colleges and universities in this state, and most others, give the area only cursory coverage at best. A program such as this would offer exposure and practical experience to the accounting students in an area that has a lot of career potential. The local governmental units would have a source of supply for accounting personnel with governmental exposure.

The program would have to be coordinated with the colleges and universities. The contact with the students would have to come through these institutions as would the college credits for the students in the program.

Federal assistance could be utilized in the program to subsidize the intern's salaries, thereby increasing chances for initial acceptance by the local governments. Federal assistance could also be used to defray the expense to the GCAs in administering such a program.

In order for an intern program to achieve the coverage necessary to attain any state-wide results, a minimum of 20 interns would be necessary

in Montana. An internship of at least three months would be required for the intern to make a contribution. A six month lead time would allow program details to be developed and candidates to be selected. The Department of Community Affairs would require four man weeks at a supervisory level to outline the conditions of the internship and select the interns. Four additional man weeks plus travel would be required to introduce the intern to the local government. During the programs existence, two man days per month would be required to review progress and results. Total costs, assuming an intern's employment cost at \$5.00 per hour and a supervisors cost at \$12.00 per hour, would be approximately \$59,600.00.

2. Training Exchange Program

A program whereby financial personnel from the local governments work in an "on the job training" situation with the DCA staff. Montana's DCA is currently implementing a state-wide city/county financial management and accounting system. The program would work as well with other technical assistance situations. The local government personnel would spend a 3 month period working with DCA staff in the implementation of the accounting system in a similar sized city or county. Then when the system was installed in the employees own unit of government, the employee would already have an understanding of the system.

The program could be used in conjunction with the accounting intern program, with the accounting intern temporarily replacing the local government employee who was working with the DCA staff.

Federal assistance could enhance the program by financing the local government employee's salary while the employee was training with the DCA staff. Federal assistance could also reduce the costs to the DCA's involved in providing training and supervision to the employees.

A training exchange program would require one employee from each city or county to be implemented with the state-wide accounting system (approximately 15 sites per year). The employee would spend 3 months working with the DCA staff in the installation of a neighboring government units' system. The program would also require approximately 2 man weeks of DCA supervisory level personnel to outline the program and direct supervision at the rate of one hour supervisor's time for each 10 hours of trainee's working time. The total cost for one year, assuming a trainee's employment cost at \$5.00 per hour and a supervisor's cost at \$12.00 per hour, would be approximately \$72,600.00, including travel for the trainee.

3. Training Programs

Existing formal training programs could be expanded and supplemented by additional programs. The cross section of the participants in the training should be increased to include elected officials and policy makers, not just the operations staff. In most states involved in training programs that include seminars and workshops, the frequency of such offerings could be greatly increased if resources were available. Federal assistance would be beneficial in providing the resources necessary to give full time attention to training rather than just being able to offer it as a side line, or as time permits. Assistance could also increase the effectiveness of such programs by allowing more effective instructional materials to be used and the occasional use of specialists in certain areas.

The cost for each additional 2 day seminar held at 4 locations throughout the state would be approximately \$2,900.00.

4. Technical Assistance

One of the best methods, for facilitating the development of understanding and problem solving ability, is working directly with people on specific problems. As the adage goes, "One picture is worth a thousand words", and working directly with people in solving their problems is usually most effective. The Montana DCA receives many calls for assistance from local governments. In many cases, response times are not as quick as we would like. Our primary task at present is the installation of an accounting system state-wide. The local technical assistance has to be worked in when time permits. Federal assistance to the state in this area could allow for full time application of personnel to local assistance.

The cost of each additional full-time employee with travel expenses is approximately \$19,000.00. Two employees would be required to adequately respond to calls for assistance.

